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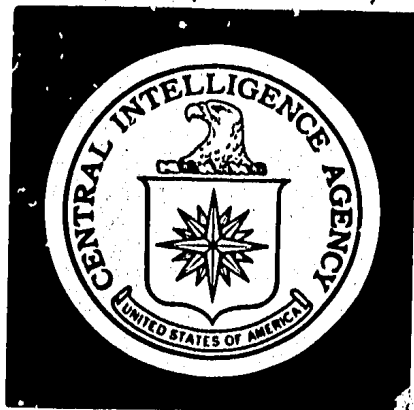

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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Memorandum

*The Elements Versus The East German Planners*

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**CENTRAL INTELLIGENCE AGENCY**

**Directorate of Intelligence**

**August 1970**

**INTELLIGENCE MEMORANDUM**

**The Elements Versus The East German Planners**

**Introduction**

The winter of 1969-70 was long, cold, and wet in East Germany—the longest in memory. It reduced production of brown coal, hampered agricultural production, and interfered with transportation and construction. East Germany had already been short of coal since the winter of 1968-69, and short of food as a result of the drought last summer.

Such shortages in themselves are almost always manageable. In the case of East Germany—an economy already pushed close to the limits of its capabilities—their effects are magnified by the failure of the regime to anticipate them and by the leaders' determination to drive the economy forward at a rate that would be ambitious even under favorable conditions.

The purpose of this memorandum is (1) to describe the effects of a year's bad weather on the fuels and power sector, transportation, and agriculture, (2) to evaluate the impact on the economy, particularly on the balance of payments and the lives of the East German consumers, and (3) to estimate the implications for the ambitions of the East German planners.

**Position at the Beginning of the Winter**

1. The year 1969 was one of unusually bad weather. The winter of 1968-69 set in early and was uncommonly cold. Spring was cold and late, and was followed by six to eight weeks of hot, dry weather beginning about 1 July. These adverse conditions reduced net agricultural output by an estimated 8%. Grain production was down 12% and the harvests of sugar

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beets and potatoes (used for both food and fodder) were each about 30% below the previous year's levels. Because of the long cold winter, reserves of coal for both industry and home consumption were depleted. Consumer discontent about shortages, particularly of brown coal briquettes, had risen to the point where some people were comparing conditions to those prevailing immediately after the war.

**Effects of the Bad Winter of 1969-70**

2. The winter of 1969-70 was the longest winter in memory. Cold weather set in in December. The average temperature for that month was almost 5°C below normal—the temperature stayed below freezing all day for 26 days out of 31 in some areas. Heavy snow began to fall on 17 December and continued for a week, seriously disrupting the economy. There was more snow in the first week in January but the rest of that month was relatively dry, though cold (3.4° below normal). February brought heavy snow and rain, particularly in the southern areas, combined with alternate periods of cold and warm weather. This pattern of alternating freeze and thaw continued through March, when precipitation was more than twice normal. An unusually heavy snow at the end of the first week in March brought most economic activity to a halt. Most of the three northern *bezirke* were covered with snow as late as mid-April. April was also wet, and flooding continued to be a problem particularly in the areas of the Oder, Elbe, and Saale Rivers. Not until mid-May did spring weather arrive—three to four weeks behind schedule.

3. The consequences of this long, cold, and wet winter were felt throughout the East German economy, but were particularly significant in fuels and power, transportation, and agriculture. It is likely, however, that the overall retardation in GNP growth was moderate.

**Fuels and Power**

4. The East German economy runs on brown coal extracted from mechanized strip mines, with much of the heavy equipment mounted on rails, and the coal is moved by extensive rail transport. Both systems are vulnerable to weather disruption. The heavy snows of December and January temporarily halted production until the rails could be cleared. In the alternate freezes and thaws of February and March the rails sank into the mud during the day and froze solid at night. In some cases dynamite had to be used to blow them loose. Finally the mines flooded in the rains of late winter. Thousands of "volunteer" workers from farms, offices, and schools,

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together with contingents from the East German army, the police, and Soviet forces, helped in the heavy work of clearing and moving the rails and draining the mines. Serious shortages developed early—by mid-December some schools were closing because of a lack of fuel. By February some briquetting plants had hardly enough raw brown coal to run their drying machines. Brown coal production in the first quarter of 1970 was at approximately the same level as in the first quarter of 1969 (also a hard winter), although production was to be expanded in 1970.

5. The bad weather hurt the quality as well as the quantity of coal. The East Germans have acknowledged that the brown coal mines are getting into lower quality reserves—wet, sandy, and expensive to exploit. Because of the snow and flooding, the moisture content was increased still further, reducing the efficiency of the coal as fuel. The wet coal frequently froze solid in the railroad cars transporting it to the electric power and briquetting plants, and had to be broken up with explosives.

6. The powerplants were caught in the squeeze between reduced supplies of raw materials, lower fuel efficiency, and increased demand. Particularly during the coldest period of December there was a severe shortage of electric power. To conserve power, street lights were dimmed, some industrial machinery and equipment was shut off during prime consumption periods and run at night instead, some low priority plants were closed, and sales of space heaters to private consumers were banned. The situation in December was further complicated by the temporary loss through fire of one of the larger (300,000 kilowatt-hours capacity) powerplants at Lippendorf. Some rapid transit lines were reported closed and industrial powerplants were hooked into the public net. During the periods of peak demand, repairs and maintenance were postponed. Demand for manufactured gas also rose by about 20%, and exceeded supply.

#### **Transportation**

7. The East German transportation system has for years operated essentially without reserves, particularly of freight cars and locomotives. Because of this the system cannot easily adjust to any situation disrupting normal operations. Thus when massive snows brought the whole transportation system to a standstill, halting trains, clogging freight yards and increasing turnaround times for freight cars, the effects continued to be felt well into the spring. Backlogs in shipping coal for the chemical plants, scrap for steel production, construction materials, and fertilizers were particularly serious. In mid-March, for instance, one chemical plant powerplant was

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receiving eight trainloads of coal daily, instead of the usual 60. There were delays in unloading oceangoing vessels, presumably including chartered vessels paid in hard currency.

8. Trucks were used in an attempt to take some of the burden off the railroads, but they were hampered by the unusual amount of weather damage to the roads. Inland waterways, frozen solid, could not provide much assistance.

### **Agriculture**

9. As usual, bad weather has been particularly hard on agriculture. The cold weather killed higher than normal proportions of fall-planted grain. The unusually long period of continuous snow cover, a record of 100 consecutive days in parts of East Germany, and the spring flooding also damaged fall-grain plantings. It is unlikely that all the damaged grain, particularly wheat and rye, was replanted to spring varieties, so that a smaller area of breadgrain will be harvested than in 1969.

10. The late wet spring delayed spring planting, which in mid-April was running four to six weeks behind the schedule. Farmers in the northern *bezirke* had barely started seeding grain, sugar beets, and potatoes, seeding that is normally completed by this time. The unfavorable weather reduced the area seeded to spring grain, and those areas seeded late will probably have lower yields than normal, unless exceptionally good growing conditions prevail for the rest of the summer. Although the prospects for an increase in grain production over last year are small, those for root crop and fodder crop increases are brighter.

11. The livestock sector has also suffered. The long severe winter has reduced productivity of livestock and depleted feed supplies already low after the bad harvest of 1969. Numbers of hogs had fallen by about 5%, but those of cattle had declined only slightly by the end of the first quarter of 1970. In addition, slaughter weight and milk production are undoubtedly down because of the short fodder supply and the delay in getting cattle on pastures this spring. Since demand for animal products--particularly meat, milk, and butter--continues to rise, the inability of available supplies to meet demand is reflected in reports of rising popular dissatisfaction.

### **Other**

12. The other sectors of the East German economy have suffered in a less direct, less easily measurable, and probably less significant way. Construction, a chronic trouble area, has been hampered by snow, lack of building materials, and illness. According to official statements, "hundreds

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of thousands" of workers were temporarily out of work because of illness—the European-wide flu epidemic of January-February and an unusually high incidence of colds and respiratory infections. The drafting of industrial workers for assistance in clearing railroad lines and helping in the coal mines (as many as 90,000 in March) had an unknown effect on production. A recent speech estimated total production losses in the first quarter of 1970 at 3 billion marks, about 3% of total annual output. According to the statistical report for the first six months of 1970, national income grew by 5% over the first six months of 1969 (as opposed to 1970 planned growth of 6.3%), industry by 7.5% (8.0 % planned), industrial labor productivity by 6% (9.4% planned), and investment by 5% (11.5% planned). The regime had hoped to make up plan deficits by 30 June, but at that time backlogs still existed in construction, the electrical engineering, and part of the chemical industry.

**The Leaders' Reactions**

13. Any economy can survive one season of bad weather with comparative ease; if bad weather persists, however, problems grow. In East Germany the problems of 1969-70 were magnified by the failure of the East German planners to allow for, or even to acknowledge, them. Largely because of the bad weather in 1969, major indexes of the plan for that year were not fulfilled—particularly in agriculture and food production, which showed a decline of 7.5% (according to official data) instead of the planned growth of 5%; transportation and communication, which grew by 1.9% instead of the planned 2.5%; and the centrally planned construction industry which grew by 10.3%, as opposed to the plan goal of 13%. The leaders, however, not only did not reduce the goals in the plan for 1970, but actually increased them to compensate for the shortfalls of 1969. The goals for output of agricultural products and foodstuffs (5.5%) for national income (6.3%) and for most types of industrial output were higher in the 1970 plan than they were in the plan for 1969.

14. Trying to reach these goals would have strained the resources of the economy under the best of circumstances, and they are now probably unattainable. However, the planners have continued an intensive campaign for fulfillment. They have organized weekend shifts to make up production backlogs. There is no evidence that they have extended the completion deadlines for investment projects already well behind schedule. They have presumably accepted the fact that the domestic availability of foodstuffs and agricultural products will be reduced, but they are probably unwilling, as they have been in the past, to accept the political consequences of a large fall

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in consumption. Increased imports will obviously be necessary to prevent such a fall, and the regime has announced an \$80 million increase in the purchase of foodstuffs and agricultural products in the West, as well as large additional imports from the Soviet Union. Apparently they hope to cover this rise in imports with increased exports, again mounting an intensive campaign to achieve this increase.

15. Apart from mounting such a campaign there is not much that the leaders are able and willing to do. Supply is rather inelastic in the East German economy. The reserves in the labor force have been practically exhausted and many of those employed are already working overtime. Plants are used at close to capacity, old equipment is worked long after it can be used efficiently, and maintenance is kept at a minimum to reduce downtime. The transportation system, old and creaky, is run at close to capacity, and no reserves are available to replace those freight cars and locomotives temporarily unusable. Because of this internal inflexibility, the cost of the hard winter of 1969-70 will probably fall most heavily on the balance of payments and on the consumer.

#### **Implications**

16. East German imports from all sources will expand in order to make up for the weather-related shortfalls in domestic production. Imports of grain and high protein feed supplements are likely to rise sharply in 1970, perhaps by as much as 500,000 tons. The Soviet Union has already promised 400,000 tons of grain in 1970 above the 1.2 million tons promised earlier. Imports of grain from Western suppliers may total 700,000 tons in fiscal 1970, including a record 400,000 to 500,000 tons of US corn. Additional imports of meat, dairy products, and vegetables may also be necessary to prevent an unacceptable decline in consumption. Because most of Eastern Europe and the Soviet Union had at best mediocre harvests in 1969, as well as meat shortages, a larger share than usual of East German food imports must come from the West. The East Germans themselves have estimated that increased imports of foodstuffs and agricultural raw material from Western countries because of bad weather will cost an additional \$80 million above the amount originally planned.

17. The strained fuel and power situation has also taxed the balance of payments. Imports of bituminous coal have risen sharply to make up for the lack of domestic brown coal. The East Germans have apparently contracted through West Germany for imports of 400,000 tons of US coal and 160,000 tons of Australian coal, in addition to increased quantities of West German coal. During the first quarter of 1970, for example, US exports of hard coal to East Germany totaled 147,000 tons, as opposed to about 15,400 tons in the same period of 1969.

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18. Since Eastern Europe and the Soviet Union are unable to provide many of these needed imports, and most West European countries would require payment in hard currency, the effects of increased imports will probably be felt most sharply in the balance with West Germany. Because of the special nature of East German interzonal trade (IZT) with West Germany, East Germany can run up substantial imbalances (the so-called "swing") on clearing account not requiring cash settlement. Trade with West Germany is already seriously unbalanced, however. The swing was largely exhausted by the middle of 1969, and the East Germans sought, and got, an increase of the limit from \$98.4 million to \$120.2 million to permit trade to continue. In addition, West German suppliers have extended large credits to East German purchasers. Thus East German imports from West Germany in 1969 rose by a record 58.6% above 1968 and continued to grow in January-April 1970 (the last data available) by 42% over the comparable period of 1969. Imports of agricultural and food products in January-April 1970 increased from \$24.1 million to \$31.7 million and imports of mining products grew from \$2.0 million to \$11.8 million in the same two periods. On the other hand, East German exports have not risen so rapidly—up 8.7% in 1969 and 7% in January-April 1970. East German indebtedness is estimated at as much as \$545 million.

19. The East Germans are already concerned over the amount of the imbalance. There have been reports that they are willing to accept a fairly large imbalance as a useful tool for gaining political concessions from West Germany. And the West German government—even before Brandt—has frequently shown itself willing to make both political and economic concessions to maintain trade. But too great an imbalance might make it difficult for the East Germans to buy at all in West Germany. Their concern is clearly shown in their willingness to maintain IZT exports of agricultural products, including rye and barley, which are in short supply domestically.

#### **Consumer Dissatisfaction**

20. The hard winter brought shortages of brown coal (still the principal fuel for household heating), electric power, and food to the East German consumer. Ration cards for brown coal briquettes were not honored in many areas; in some cases only 50% of the ration could be provided. Coal had to be specially allocated to families containing invalids or small children. There were reports that dwellers in apartment buildings with central heating for which there was no fuel were entirely without heat. Electric space heaters could only partly make up for the lack of coal and they merely shifted the need for fuel to the powerplants.

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21. The shortage of potatoes has probably produced as much popular dissatisfaction as the unavailability of coal. Because of the short harvest of 1969 and reduced imports, the availability of potatoes for consumption may have been reduced as much as 5% to 10%. Planned imports of potatoes from Poland were probably reduced by the bad Polish harvest. Since supplies of other foodstuffs, particularly fruits and vegetables, were also sharply reduced, demand for staples—bread, potatoes, and pork—probably increased. Figures for potato consumption for 1969 are not available, but the data for fruits and vegetables show sharp declines in spite of probable increases in imports. Meat and dairy product supplies show no decline in 1969, but will undoubtedly begin to fall off this year, reflecting the short fodder harvests of 1969. In order to limit the decline in consumption of quality foods, the regime will probably increase Western imports still further, placing more strain on the balance of payments.

22. It is clear that the East German consumer is unhappy about this decline in his living standard, after a slow but continuous improvement since about 1963. The significance of his unhappiness is more difficult to assess. Large-scale defection is no longer possible and discontent is not likely to result in political disturbances. The most likely result will be a new passive resistance to the regime's exhortations to increase production—an unwillingness to do more than necessary when the rewards are so uncertain.

**Planning**

23. Wavering popular support will make it that much harder to achieve economic goals. However, the regime apparently intends to force growth to the limits. By straining the resources of the economy and bringing maximum pressure on the workers to work weekend shifts and overtime if necessary, industrial growth plans for 1970 will probably be attained. Agricultural output will undoubtedly fall far short of planned goals, the full extent depending on growing conditions for the rest of the year. This shortfall in agriculture will retard overall growth, as it did in 1969. Construction, which has not met its goals for the past few years, will probably fall short again. While overall growth will not be much affected, the shortage of housing, already a major source of discontent, will be aggravated. The Council of Ministers has indicated that the overall plan can be achieved only if overfulfillment in some areas compensates for underfulfillment in others. Compensation of this sort will probably limit underfulfillment to moderate levels. The growth of national income in 1970 will probably be one-half to 1% below the planned level. In addition, the drive to fulfill the 1970 plan may be followed by a slowdown in the first half of 1971 as pressure is reduced.

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24. Failure to reach the goals of the 1970 plan may have an effect on the drafting of the 1971-75 plan—drafting which apparently is still in progress. From the few pieces of information available, the current drafts call for an ambitious plan, one that sets unrealistically high goals for growth and leaves a minimum of reserves for any sort of emergency. The delay in announcing the final plan may indicate some dispute within the economic apparatus concerning its goals. Disputes of this type have historically originated with the plant managers and VVB (association of people-owned enterprises) directors, who are well aware that the goals set for their particular area are unrealistic. If this type of dispute is, in fact, occurring, the difficulties caused by the weather might strengthen the hands of the realists, who could well claim that the effects of the weather demonstrate the need for reserves throughout the economy. Thus, failure to meet the planned goals for 1970 could force reconsideration of the 1971-75 plan.

25. At present, however, it does not appear likely that the difficulties in meeting the 1970 plan will lead to reductions in the long-term plan goals, which will probably call for annual growth rates in national income of about 6%. It will probably not be possible to attain these rates of growth, but regime pressure to attain them could bring on the kind of economic crisis that caused the abandonment of the overly ambitious Seven-Year Plan in 1962, from which the economy did not fully recover until about 1965. If the hard winter of 1969-70 could force reconsideration of the long-term plan and adoption of more realistic growth rates, it could perform a great service for the East German planners. At the moment, however, it does not seem likely that goals for long-term growth will be significantly reduced.

### Conclusions

26. The effects of the hard winter of 1969-70 will be felt less in overall growth than in certain sensitive areas within the East German economy. Output of agriculture, brown coal, and transportation services will be somewhat below planned levels, and national income will probably grow more slowly than planned—falling short by perhaps as much as one percentage point. This growth rate will not, however, be noticeably below the rates achieved in the past few years.

27. The problems created by the bad weather for the balance of payments, for the East German consumer, and for planning may be more significant. The need to import more fuel and foodstuffs will increase the strain on the balance of payments. Much of this strain will apparently be felt on the balance with West Germany, where East German debts already total a reported \$545 million.

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28. The inability of the regime to satisfy consumer demand for food and fuel, in spite of increased imports, will probably lead to a further erosion of the tentative popular support which showed signs of emerging during the mid-1960s. Passive resistance to regime plans and policies will probably continue to grow.

29. The difficulties produced by the hard winter of 1969-70, exaggerated by the unwillingness of the regime to anticipate them, would seem clearly to demonstrate the need to leave some unused economic reserves to permit adjustment to just such emergencies. It may be that the winter has given some support to the opponents of tight ambitious planning in the debates apparently still taking place over the 1971-75 plan. In all likelihood, however, the realists will be overcome, and the plan for 1971-75 will call for ambitious growth rates which can be attained, if at all, only by pushing the over-strained East German economy and labor force to the limits.

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